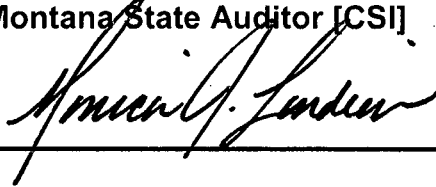

ADVISORY MEMORANDUM

TO: ALL LIFE INSURERS LICENSED TO WRITE BUSINESS IN MONTANA

FROM: MONICA J. LINDEEN - Commissioner of Securities and Insurance
Montana State Auditor [CSI]

DATE: AUGUST 27, 2010



RETAINED ASSET ACCOUNTS

The purpose of this bulletin is to set forth the procedures the CSI expects to see in place in regard to the settlement of life insurance proceeds through the mechanism known by the term "retained asset accounts." These accounts are designed to be a temporary repository of funds while the beneficiary considers the available options. While the majority of insurers handle these accounts in an appropriate manner, the potential for misunderstanding is present. In market conduct examinations and handling of complaints, these are the procedures the CSI will expect to find in place:

A. Supplemental Contract

If the insurer offers the beneficiary settlement options other than immediate cash payment of the full benefit amount, the insurer should provide the beneficiary with a supplemental contract that clearly discloses the rights and obligations of both the beneficiary and the insurer with respect to the benefit.

B. Disclosure

(1) The "Checkbook"

Literature describing the settlement options should clearly disclose that payment of the total proceeds is accomplished by delivery of a "checkbook," if that is the case. It should be disclosed to the beneficiary that one check can be written to access the entire proceeds, and that the other options are preserved until the entire balance is withdrawn or the balance drops below the insurer's minimum payment requirements.

(2) The Account

The insurer should disclose whether the account is a checking or draft account and explain the account's features. The disclosure document should include information about what banking services are provided to the account holder and by whom. It should be clearly stated which services are provided at no charge, and which services involve a fee. The nature and frequency of statements should be disclosed. The disclosure document should also provide a phone number and address where the beneficiary can obtain additional information and answers to questions.

(3) Tax Implications

The disclosure information should indicate that there may be tax on the interest earned on the account, and the beneficiary should consult his or her tax advisor.

(4) Other Options

Literature describing the settlement options should clearly disclose what other options are available under the policy. Where appropriate, the interest rate being paid under those options should also be disclosed.

C. Interest

The insurer should disclose the interest rate being paid under the retained asset account. The disclosure should include a description of how the interest rate is determined and how it is credited to the account.

D. Accounting

The funds necessary to cover liabilities under these accounts shall be reported on the annual statement as required by the *Accounting Practices and Procedures Manual* of the National Association of Insurance Commissioners.

If you have questions about this bulletin, please contact Jesse Laslovich, Esq., Chief Legal Counsel, at (406) 444-2040.